

**A RESOLUTION OF THE COUNCIL OF THE CITY OF LYNCHBURG, VIRGINIA, AUTHORIZING THE ISSUANCE OF NOT TO EXCEED \$7,500,000 GENERAL OBLIGATION SCHOOL BONDS OF THE CITY OF LYNCHBURG, VIRGINIA, SERIES 2005, TO BE SOLD TO THE VIRGINIA PUBLIC SCHOOL AUTHORITY AND PROVIDING FOR THE FORM AND DETAILS THEREOF**

WHEREAS, the Council (the "Council") of the City of Lynchburg, Virginia (the "City"), deems it advisable and in the best interest of the City to redeem in advance of their stated maturity the City's \$7,500,000 principal amount of General Obligation Public Improvement Bond Anticipation Notes, Series 2004, dated June 1, 2004, which are subject to redemption prior to maturity at the option of the City at any time on or after June 1, 2005 at a redemption price equal to the principal amount thereof, together with the interest accrued thereon to the date fixed for the redemption thereof (the "BANs");

WHEREAS, the Council has determined that it is necessary and expedient to borrow not to exceed \$7,500,000 and to issue its general obligation school bonds for the purpose of financing or refinancing various capital school improvement projects of and for the City (including refinancing the BANs);

WHEREAS, the Council has held a public hearing, duly noticed, on September 27, 2005, on the issuance of the Bonds (as defined below) in accordance with the requirements of Section 15.2-2606 of the Code of Virginia, 1950 (the "Virginia Code");

WHEREAS, the School Board has, by resolution, requested the Council to authorize the issuance of the Bonds and has consented to the issuance of the Bonds;

WHEREAS, the Bond Sale Agreement (as defined below) will reflect that the City is requesting to receive proceeds in the amount of \$7,500,000 (the "Proceeds Requested") from the Virginia Public School Authority (the "VPSA") in connection with the sale of the Bonds;

WHEREAS, the objective of the VPSA is to pay the City a purchase price for the Bonds which, in the judgment of the VPSA, reflects the market value of the Bonds (the "VPSA Purchase Price Objective"), taking consideration of such factors as the amortization schedule the City has requested for the Bonds, the amortization schedules requested by other localities, the purchase price to be received by VPSA for the VPSA Bonds (as defined below) and other market conditions relating to the sale of the VPSA Bonds; and

WHEREAS, such factors (i) may result in the Bonds having a purchase price other than par and consequently the City may have to issue a principal amount of Bonds that is greater than or less than the Proceeds Requested in order to receive an amount of proceeds that is substantially equal to the Proceeds Requested or (ii) the City may be required to accept a discount, given the VPSA Purchase Price Objective and market conditions, under which

circumstance the proceeds from the sale of the Bonds received by the City would be less than the amount set forth in Section 1 below;

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF LYNCHBURG, VIRGINIA:

SECTION 1. Authorization of Bonds and Use of Proceeds. The Council hereby determines that it is advisable to contract a debt and issue and sell its general obligation school bonds in an aggregate principal amount not to exceed \$7,500,000 (the "Bonds") for the purpose of financing or refinancing various capital school improvement projects of and for the City (including refinancing the BANs). The Council hereby authorizes the issuance and sale of the Bonds pursuant to Title 15.2, Chapter 26 of the Virginia Code (the same being the Public Finance Act of 1991) and in the form and upon the terms established pursuant to this Resolution.

SECTION 2. Sale of the Bonds. It is determined to be in the best interest of the City to sell the Bonds to the VPSA at a price, determined by the VPSA at the time of sale to be fair and accepted by the City Manager, without further action by the Council, that is substantially equal to the Proceeds Requested, except that the Bonds may be sold for a purchase price not lower than 98% of the Proceeds Requested if issuing the Bonds in the maximum principal amount authorized by Section 1 of this Resolution is insufficient, given the VPSA Purchase Price Objective and market conditions, to generate an amount of proceeds substantially equal to the Proceeds Requested. The City Manager is hereby authorized and directed to enter into a Bond Sale Agreement with the VPSA providing for the sale of the Bonds to the VPSA in substantially the form entered into by the City with the VPSA in connection with previous sales of general obligation school bonds by the City to the VPSA (the "Bond Sale Agreement").

SECTION 3. Details of the Bonds. The Bonds shall be issuable in fully-registered form; shall be dated the date of issuance and delivery of the Bonds; shall be designated "City of Lynchburg, Virginia, General Obligation School Bonds, Series 2005"; shall bear interest from the date of delivery thereof payable on July 15, 2006 and semiannually each January 15 and July 15 thereafter (each an "Interest Payment Date"), subject to the provisions of Section 4 of this Resolution and at the rates established in accordance with Section 4 of this Resolution; and shall mature on July 15 in each of the years (not exceeding forty (40) years from the date of the Bonds) (each a "Principal Payment Date") and in the amounts in each such year (the "Principal Installments") determined by the City Manager, without further action by the Council, subject to the provisions of Section 4 of this Resolution.

SECTION 4. Interest Rates and Principal Installments. The City Manager is hereby authorized and directed, without further action by the Council, to accept the interest rates on the Bonds established by the VPSA; *provided* that each interest rate shall be ten one-hundredths of one percent (0.10%) over the interest rate to be paid by the VPSA for the corresponding principal payment date of the bonds to be issued by the VPSA (the "VPSA Bonds"), a portion of the proceeds of which will be used to purchase the Bonds, and *provided further* that the true interest cost with respect to the Bonds shall not exceed six percent (6.00%). The Interest Payment Dates and the Principal Installments are subject to change at the request of the VPSA. The City Manager is hereby authorized and directed, without further action by the Council, to accept changes in the Interest Payment Dates and the Principal Installments at the request of the VPSA; *provided* that the aggregate principal amount of the Bonds shall not exceed

the amount authorized by this Resolution. The execution and delivery of the Bonds as described in Section 8 hereof shall conclusively evidence such interest rates established by the VPSA and the Interest Payment Dates and the Principal Installments requested by the VPSA as having been so accepted as authorized by this Resolution.

SECTION 5. Form of the Bonds. For as long as the VPSA is the registered owner of the Bonds, the Bonds shall be initially in the form of a single, temporary typewritten bond substantially in the form attached hereto as Exhibit A.

SECTION 6. Payment; Paying Agent and Bond Registrar. The following provisions shall apply to the Bonds:

(a) For as long as the VPSA is the registered owner of the Bonds, all payments of principal of and premium, if any, and interest on the Bonds shall be made in immediately available funds to the VPSA at or before 11:00 A.M. on the applicable Interest Payment Date or Principal Payment Date, or if such date is not a business day for Virginia banks or for the Commonwealth of Virginia, then at or before 11:00 A.M. on the business day next preceding such Interest Payment Date or Principal Payment Date.

(b) All overdue payments of principal and, to the extent permitted by law, interest shall bear interest at the applicable interest rate or rates on the Bonds.

(c) SunTrust Bank in the City of Richmond, Virginia, is hereby designated as Bond Registrar and Paying Agent for the Bonds.

SECTION 7. No Redemption or Prepayment. The Principal Installments of the Bonds shall not be subject to redemption or prepayment. Furthermore, the Council covenants, on behalf of the City, not to refund or refinance the Bonds without first obtaining the written consent of the VPSA or the registered owner of the Bonds.

SECTION 8. Execution of the Bonds. The Mayor or Vice Mayor, the Clerk of Council or any Deputy Clerk of Council and the Director of Financial Services of the City are authorized and directed to execute and deliver the Bonds by their manual or facsimile signatures and to affix the seal of the City thereto or to cause a facsimile thereof to be imprinted thereon.

SECTION 9. Pledge of Full Faith and Credit. For the prompt payment of the principal of and premium, if any, and interest on the Bonds as the same shall become due, the full faith and credit of the City are hereby irrevocably pledged. In each year while any of the Bonds shall be outstanding, the Council is authorized and required to levy and collect annually, at the same time and in the same manner as other taxes of the City are assessed, levied and collected, a tax upon all taxable property within the City, over and above all other taxes, authorized or limited by law and without limitation as to rate or amount, sufficient to pay when due the principal of and premium, if any, and interest on the Bonds to the extent other funds of the City are not lawfully available and appropriated for such purpose.

SECTION 10. Use of Proceeds Certificate and Certificate as to Arbitrage. The Mayor or Vice Mayor, the City Manager, the Director of Financial Services and such officer or officers of the City as any of them may designate are hereby authorized and directed to execute a

Certificate as to Arbitrage and a Use of Proceeds Certificate each setting forth the expected use and investment of the proceeds of the Bonds and containing such covenants as may be necessary in order to show compliance with the provisions of the Internal Revenue Code of 1986 (the "Code") and applicable regulations promulgated thereunder relating to the exclusion from gross income of interest on the Bonds and on the VPSA Bonds. The Council covenants on behalf of the City that (i) the proceeds from the issuance and sale of the Bonds will be invested and expended as set forth in such Certificate as to Arbitrage and such Use of Proceeds Certificate and that the City shall comply with the other covenants and representations contained therein and (ii) the City shall comply with the provisions of the Code so that interest on the Bonds and on the VPSA Bonds will remain excludable from gross income for federal income tax purposes.

SECTION 11. State Non-Arbitrage Program; Proceeds Agreement. The Council hereby determines that it is in the best interest of the City to authorize and direct the Director of Financial Services to participate in the State Non-Arbitrage Program in connection with the Bonds. The Mayor or Vice Mayor, the City Manager, the Director of Financial Services and such officer or officers of the City as any of them may designate are hereby authorized and directed to execute and deliver a Proceeds Agreement with respect to the deposit and investment of proceeds of the Bonds by and among the City, the other participants in the sale of the VPSA Bonds, the VPSA, the investment manager and the depository, substantially in the form entered into by the City with the other participants in the sale of the VPSA Bonds, the VPSA, the investment manager and the depository in connection with previous sales of general obligation bonds by the City to the VPSA, which form is hereby approved.

SECTION 12. Continuing Disclosure Agreement. The Mayor or Vice Mayor, the City Manager, the Director of Financial Services and such officer or officers of the City as any of them may designate are hereby authorized and directed to execute a Continuing Disclosure Agreement, as set forth in an appendix to the Bond Sale Agreement, setting forth the reports and notices to be filed by the City and containing such covenants as may be necessary in order to show compliance with the provisions of the Securities and Exchange Commission Rule 15c2-12 and directed to make all filings required by the Bond Sale Agreement should the City be determined by the VPSA to be a MOP (as defined in the Continuing Disclosure Agreement).

SECTION 13. Designation of BANS for Redemption. The Council hereby designates the BANS for redemption on December 12, 2005 or as soon thereafter as notice of redemption may be given at a redemption price equal to the principal amount thereof, together with the interest accrued thereon to the date fixed for the redemption thereof. The City Manager is hereby authorized to cause notice of the redemption of the BANS to be given in accordance with the provisions of the proceedings authorizing the issuance of the BANS.

SECTION 14. Filing of Resolution. The Clerk of Council is hereby authorized and directed to file a copy of this Resolution, certified by the Clerk of Council to be a true and correct copy hereof, with the Circuit Court of the City.

SECTION 15. Further Actions. The members of the Council and all officers, employees and agents of the City are hereby authorized to take such action as they or any one of them may consider necessary or desirable in connection with the issuance and sale of the Bonds and any such action previously taken is hereby ratified and confirmed.

SECTION 16. Effective Date. This Resolution shall take effect upon its adoption.

Adopted:

Certified: \_\_\_\_\_  
Clerk of Council

131L

The undersigned Clerk of the Council of the City of Lynchburg, Virginia, hereby certifies that the foregoing constitutes a true and correct extract from the minutes of a regular meeting of the Council of the City of Lynchburg, Virginia, held on September 27, 2005, and of the whole thereof so far as applicable to the matters referred to in such extract. I hereby further certify that such meeting was a regularly scheduled meeting and that, during the consideration of the foregoing resolution, a quorum was present. Members present at the meeting were: \_\_\_\_\_ . Members absent from the meeting were: \_\_\_\_\_ . Members voting in favor of the foregoing resolution were: \_\_\_\_\_ . Members voting against the foregoing resolution were: \_\_\_\_\_ . Members abstaining from voting on the foregoing resolution were: \_\_\_\_\_ .

**WITNESS MY HAND** and the seal of the Council of the City of Lynchburg, Virginia, this 27th day of September, 2005.

\_\_\_\_\_  
Clerk of Council  
City of Lynchburg, Virginia

[SEAL]

**EXHIBIT A**  
**(FORM OF TEMPORARY BOND)**

**NO. TS-1**

\$ \_\_\_\_\_

**UNITED STATES OF AMERICA**  
**COMMONWEALTH OF VIRGINIA**  
**CITY OF LYNCHBURG**  
**GENERAL OBLIGATION SCHOOL BOND**  
**SERIES 2005**

The **CITY OF LYNCHBURG, VIRGINIA** (the “City”), for value received, hereby acknowledges itself indebted and promises to pay to the **VIRGINIA PUBLIC SCHOOL AUTHORITY** the principal amount of \_\_\_\_\_ DOLLARS (\$ \_\_\_\_\_), in annual installments in the amounts set forth on **Schedule I** attached hereto, payable on July 15, 2006 and annually on each July 15 thereafter to and including July 15, \_\_\_\_ (each a “Principal Payment Date”), together with interest from the date of this Bond on the unpaid installments, payable on July 15, 2006 and semiannually on each January 15 and July 15 thereafter (each an “Interest Payment Date”; together with any Principal Payment Date, a “Payment Date”), at the rates per annum set forth on **Schedule I** attached hereto. Principal of and premium, if any, and interest on this Bond are payable in lawful money of the United States of America.

For as long as the Virginia Public School Authority is the registered owner of this Bond, **SunTrust Bank**, in the City of Richmond, Virginia, as bond registrar (the “Bond Registrar”), shall make all payments of principal of and premium, if any, interest on this Bond, without the presentation or surrender hereof, to the Virginia Public School Authority, in immediately available funds at or before 11:00 A.M. on the applicable Payment Date. If a Payment Date is not a business day for banks in the Commonwealth of Virginia or for the Commonwealth of Virginia, then the payment of principal of or premium, if any, or interest on this Bond shall be made in immediately available funds at or before 11:00 A.M. on the business day next preceding the scheduled Payment Date. Upon receipt by the registered owner of this Bond of such payments of principal, premium and interest, written acknowledgment of the receipt thereof shall be given promptly to the Bond Registrar, and the City shall be fully discharged of its obligation on this Bond to the extent of the payment so made. Upon final payment, this Bond shall be surrendered to the Bond Registrar for cancellation.

The full faith and credit of the City are irrevocably pledged for the payment of the principal of and premium, if any, and interest on this Bond. The resolution adopted by the Council of the City authorizing the issuance of this Bond provides, and Section 15.2-2624 of the Code of Virginia, 1950, requires, that, in each year while any of the Bonds shall be outstanding, the Council of the City shall be authorized and required to levy and collect annually, at the same time and in the same manner as other taxes of the City are assessed, levied and collected, a tax upon all taxable property within the City, over and above all other taxes, authorized or limited by law and without limitation as to rate or amount, sufficient to pay when due the principal of and premium, if any, and interest on this Bond to the extent other funds of the City are not lawfully available and appropriated for such purpose.

This Bond is duly authorized and issued in compliance with and pursuant to the Constitution and statutes of the Commonwealth of Virginia, including Title 15.2, Chapter 26 of the Code of Virginia, 1950 (the same being the Public Finance Act of 1991), and resolutions duly adopted by the Council of the City and the School Board of the City for the purpose of financing or refinancing capital school improvement projects of and for the City.

This Bond may be exchanged without cost, on twenty (20) days written notice from the Virginia Public School Authority, at the office of the Bond Registrar on one or more occasions for two or more temporary bonds or definitive bonds in fully registered form in denominations of \$5,000 and whole multiples thereof, and, in any case, having an equal aggregate principal amount having maturities and bearing interest at rates corresponding to the maturities of and the interest rates on the installments of principal of this Bond then unpaid. This Bond is registered in the name of the Virginia Public School Authority on the books of the City kept by the Bond Registrar, and the transfer of this Bond may be effected by the registered owner of this Bond only upon due execution of an assignment by such registered owner. Upon receipt of such assignment and the surrender of this Bond, the Bond Registrar shall exchange this Bond for definitive Bonds as hereinabove provided, such definitive Bonds to be registered on such registration books in the name of the assignee or assignees named in such assignment.

The principal installments of this Bond are not subject to redemption or prepayment.

All acts, conditions and things required by the Constitution and laws of the Commonwealth of Virginia to happen, exist or be performed precedent to and in the issuance of this Bond have happened, exist and have been performed in due time, form and manner as so required, and this Bond, together with all other indebtedness of the City, is within every debt and other limit prescribed by the Constitution and laws of the Commonwealth of Virginia.

**IN WITNESS WHEREOF**, the Council of the City of Lynchburg, Virginia has caused this Bond to be issued in the name of the City of Lynchburg, Virginia, to be signed by the manual or facsimile signatures of its Mayor or Vice-Mayor and its Director of Financial Services, its seal to be affixed hereto or a facsimile thereof to be imprinted hereon and attested by the manual or facsimile signature of its Clerk of Council or its Deputy Clerk of Council, and this Bond to be dated November 10, 2005.

**CITY OF LYNCHBURG, VIRGINIA**

(SEAL)

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Mayor

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Director of Financial Services



ATTEST:

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Clerk of Council

## ASSIGNMENT

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto

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(Please print or typewrite name and address, including zip code, of Assignee)

PLEASE INSERT SOCIAL SECURITY  
OR OTHER TAX IDENTIFYING NUMBER OF ASSIGNEE:

the within Bond and irrevocably constitutes and appoints \_\_\_\_\_  
attorney to exchange such Bond for definitive bonds in lieu of which this Bond is issued and to  
register the transfer of such definitive bonds on the books kept for registration thereof, with full  
power of substitution in the premises.

Date: \_\_\_\_\_

Signature Guaranteed:

\_\_\_\_\_  
(NOTICE: Signature(s) must be guaranteed  
by an “eligible guarantor institution” meeting  
the requirements of the Bond Registrar which  
requirements will include Membership or  
participation in STAMP or such other  
“signature guarantee program” as may be  
determined by the Bond Registrar in addition  
to, or in substitution for, STAMP, all in  
accordance with the Securities Exchange Act  
of 1934, as amended.)

\_\_\_\_\_  
Registered Owner

(NOTICE: The signature above must  
correspond with the name of the Registered  
Owner as it appears on the front of this  
Bond in every particular, without alteration  
or change.)